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SUBJECT: UNCTAD COMMODITIES: REPORT OF FOURTH PREPARATORY
MEETING ON TROPICAL TIMBER, JULY 31 AUGUST 4, 1978

REFERENCE: GENEVA 12121

1. SUMMARY: THE FOURTH PREPARATORY MEETING ON TROPICAL
TIMBER CONCLUDED WITH ADOPTION OF A SET OF CONCLUSIONS AND
RECOMMENDATIONS COVERING REFORESTATION, INCREASED PROCES-
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SING, RESEARCH AND DEVELOPMENT AND IMPROVED MARKET INTELLI-
GENCE. FAO AND UNCTAD SECRETARIATS WERE REQUESTED TO
PREPARE AN OUTLINE OF A SCHEME WHICH COULD INCORPORATE THESE
ELEMENTS AS A POSSIBLE BASIS FOR A TROPICAL TIMBER AGREE-
MENT. MAIN STICKING POINT CONTINUED TO BE STABILIZATION
MEASURES SUCH AS INDICATIVE PRICES AND SUPPLY AND PURCHASE
COMMITMENTS. MEETING WAS GENERALLY AMICABLE AND MOST

PARTICIPANTS FELT PROGRESS HAD BEEN MADE TOWARD EVENTUAL AGREEMENT. END SUMMARY.

2. MEETING GOT OFF TO A TYPICALLY SLOW START AS PRODUCERS SPENT SEVERAL DAYS SEEKING AGREEMENT OF THOSE WHO HAD NOT PARTICIPATED IN ABIDJAN PRE-CONFERENCE TO PRODUCER POSITION PAPER WORKED OUT THERE. BY WEDNESDAY, PRODUCERS SUBMITTED POSITION PAPER COVERING MARKET STABILIZATION MEASURES, DEVELOPMENT MEASURES AND A PROPOSAL FOR A NEW INSTITUTION. MARKET STABILIZATION MEASURES COVERED NEGOTIATED PRICE RANGES, IMPROVED PROCEDURES FOR MARKET INFORMATION, LONG-TERM SUPPLY AND PURCHASE COMMITMENTS, COMPENSATORY FINANCING, FINANCING OF PIPELINE STOCKS AND MARKET ACCESS. DEVELOPMENT MEASURES COVERED EXPANDED PROCESSING, FOREST MANAGEMENT AND RE-FORESTATION, RESEARCH AND DEVELOPMENT, IMPROVEMENT OF INFRASTRUCTURE AND STANDARDIZATION. TO IMPLEMENT THESE MEASURES, PRODUCERS PROPOSED CREATION OF AN INTERNATIONAL TROPICAL TIMBER COUNCIL AND A TROPICAL REFORESTATION FUND.

3. AT OPENING SESSION AMBASSADOR BRILLANTES OF PHILIPPINES PROPOSED THAT FAO/UNCTAD SECRETARIATS PREPARE A PAPER DISTILLING FROM TEN MOST RECENTLY ISSUED DOCUMENTS THE MAIN ISSUES MEETING SHOULD DEAL WITH. THIS PAPER PREPARED BY FAO TIMBER EXPERT (LESLIE OF AUSTRALIA) FOCUSED ON TROPICAL REFORESTATION, DOMESTIC PROCESSING AND MARKET FLUCTUATION. UNCLASSIFIED

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UNDER REFORESTATION, LESLIE INDICATED THAT UNTIL LAND USE PROBLEM IS BROUGHT UNDER CONTROL, IT IS POINTLESS TO DISCUSS FINANCING. UNDER MARKET FLUCTUATION HE SUMMARIZED THE CONCLUSIONS OF THE MAIN STABILIZATION DOCUMENT BEFORE THE MEETING (TDB/IPC/TIMBER/21) WHICH INDICATED THAT THE MAIN PROBLEMS ARE INADEQUATE INFORMATION ON CURRENT SHIFTS IN AND PROJECTIONS OF DEMAND IN DEVELOPED ECONOMIES AND THE LACK OF SUPPLY RESONSIVENESS. THIS PAPER BECAME THE FOCAL POINT FOR CONSUMER INTERVENTIONS AS CONSUMERS SOUGHT TO AVOID POINT-BY-POINT DISCUSSION OF THE PRODUCERS PAPER.

4. CONSUMERS AGREED TO REPLY ORALLY TO PRODUCER POSITION PAPER RATHER THAN PRESENT A COUNTER POSITION PAPER. LESLIE WAS INVITED TO ADDRESS CONSUMER CAUCUS IN WHICH HE POINTED OUT THAT TWO PRINCIPLE CONCERNS OF PRODUCERS WERE PRICE LEVELS AND INCREASED PROCESSING. HOWEVER, CONSUMERS CHOSE TO FOCUS ATTENTION ON ISSUES OF LAND USE, WEAKNESS OF TRAINING AND FORESTRY INSTITUTIONS IN PRODUCING COUNTRIES, AND NEED FOR A PROPER INVESTMENT CLIMATE IF DEVELOPED COUNTRIES WERE TO BE ENCOURAGED TO INVEST IN INCREASED PROCESSING IN PRODUCING COUNTRIES. ON STABILIZATION, DRAWING ON THE CONCLUSIONS OF THE MAIN ISSUES PAPER, CONSUMERS

POINTED OUT THAT IMPROVED MARKET INTELLIGENCE AND RAPID COMMUNICATION OF MARKET INFORMATION TO ALL PRODUCERS WOULD ENABLE THEM TO IMPROVE PRODUCTION PLANNING AND THEREFORE AVOID OCCASIONAL BUILDUPS OF PIPELINE STOCKS AND THE ATTENDANT COSTS OF STORAGE AND/OR DETERIORATION. CONSUMERS REFUSED TO ACKNOWLEDGE THERE HAD BEEN EXCESSIVE PRICE FLUCTUATION AND SETTLED ONLY FOR LANGUAGE THAT EXCESSIVE PRICE FLUCTUATIONS SHOULD BE AVOIDED.

5. IN CONTACT GROUP A NUMBER OF QUESTIONS WERE ASKED TO PROBE PRODUCER PRIORITIES BUT IT SOON BECAME OBVIOUS CONSUMERS THEMSELVES WOULD HAVE TO SORT OUT KEY ISSUES. PRODUCERS SEEMED PREPARED TO ACCEPT CONSUMER CATEGORIZATION AND ORDERING OF PRIORITIES BUT CONTINUED TO INSIST ON UNCLASSIFIED

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CONSUMER REACTION TO OTHER STABILIZATION MEASURES PROPOSED. USREP EXPLAINED PROBLEMS USG WOULD HAVE IN IMPLEMENTING SUCH STABILIZATION MEASURES. MUCH TO OUR SURPRISE EC PROPOSED AND RECEIVED SUPPORT FROM ALL CONSUMERS THAT USREP, WHO WAS ACTING AS CONSUMER SPOKESMAN, SPEAK ON BEHALF OF ALL CONSUMERS IN REJECTING SUCH MEASURES. SIMILARLY CONSUMERS UNITED BEHIND STATEMENT THAT, CONTRARY TO SUGGESTIONS BY PRODUCERS, RESOLUTION 93(IV) DID NOT PROVIDE FOR INCREASING EXPORT EARNINGS IN A SPECIFIC COMMODITY NOR FOR STABILIZATION MEASURES DESIGNED TO RAISE OVERALL PRICE LEVELS.

6. DESPITE THESE REJECTIONS BY CONSUMERS, ATMOSPHERE IN CONTACT GROUP WAS GENERALLY QUITE CORDIAL. CONSUMERS, LED BY US AND FRG SPEAKING ON BEHALF OF EC, SOUGHT TO FIND LANGUAGE IN CONCLUSIONS AND RECOMMENDATIONS WHICH WOULD PERMIT PRODUCERS TO KEEP FURTHER DISCUSSION ON MEASURES OTHER THAN MARKET INTELLIGENCE ALIVE. POSITIVE APPROACH OF ALL CONSUMERS TOWARD MOVING TO AN APPROPRIATE INSTITUTIONAL ARRANGEMENT OR ARRANGEMENTS WAS RECEIVED VERY FAVORABLY BY PRODUCERS.

7. ROLE OF DELEGATIONS: IT WAS MUCH EASIER TO COORDINATE CONSUMERS POSITIONS IN THIS MEETING SINCE MOST PARTICIPANTS HAD HAD SUFFICIENT EXPERIENCE IN TROPICAL TIMBER TO KNOW WHAT COULD REALISTICALLY BE ACHIEVED. FRG DELEGATION LED BY BRANDENBURG WAS PARTICULARLY EFFECTIVE IN PREPARING EC POSITION AND TWO FRG INDUSTRY EXPERTS CONTRIBUTED IMPORTANT OBSERVATIONS DURING WORK OF CONTACT GROUP. JAPANESE OPENED MEETING WITH STATEMENT SUPPORTING ESTABLISHMENT OF A NEW TIMBER BODY BUT THEN REVERTED TO QUIET, SUPPORTIVE ROLE ALTHOUGH DELEGATION WAS SOMEWHAT HAMPERED BY FACT THAT SPOKESMAN FOR MOST COMMODITY MEETINGS WAS, IN THIS CASE, SERVING AS CHAIRMAN OF THE MEETING. USSR WAS SURPRISINGLY UNCLASSIFIED

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ACTIVE IN PUSHING HARD FOR LANGUAGE REGARDING EXPLOITATION OF LESSER KNOWN SPECIES. AFRICANS CONTINUED TO BE MAIN ADVOCATES OF VARIOUS STABILIZATION MEASURES BUT THEY LET SOME FAVORITES SUCH AS SHIPPING COSTS AND EXPORT QUOTAS FALL BY WAYSIDE, AT LEAST FOR TIME BEING. ASIANS WERE LED AGAIN BY MALAYSIA WHICH ASSUMED ROLE OF PRODUCER SPOKESMAN IN FINAL TWO DAYS. MOST IMPORTANT ROLE IN MEETING WAS PLAYED BY LESLIE OF FAO WHOSE FRANK AND BLUNT STATEMENTS ON THE REALITIES OF THE PROBLEMS AND OF HOW ANY INSTITUTION COULD DEAL WITH THEM FORCED PRODUCERS TO BE REALISTIC IN THEIR REQUESTED WORK PROGRAM. THIS WAS REFLECTED PARTICULARLY IN THE FINAL LANGUAGE OF THE RECOMMENDATIONS WHERE SECRETARIATS WERE SIMPLY REQUESTED TO PURSUE WITH GOVERNMENTS HOW DIFFERING VIEWS ON STABILIZATION MIGHT BE RECONCILED RATHER THAN PREPARE FURTHER PAPERS ON THE SUBJECTS WHICH CONSUMERS SO CLEARLY REJECTED.

8. FUTURE COURSE: THE DOCUMENT SECRETARIATS WERE ASKED TO PREPARE OUTLINING A SCHEME FOR IMPLEMENTING THE AGREED UPON MEASURES SHOULD PROVE VERY USEFUL. IT WILL FORCE THE FAO AND UNCTAD SECRETARIATS TO SPELL OUT THE ROLE CURRENTLY BEING PLAYED BY VARIOUS INTERNATIONAL AND NATIONAL TROPICAL TIMBER BODIES AND TO FOCUS ON THE ROLE FAO SHOULD CONTINUE TO PLAY UNDER ANY FUTURE ARRANGEMENT. SIMILARLY SOME ESTIMATES WILL HAVE TO BE MADE OF THE COSTS OF IMPLEMENTATION. WHILE THIS WILL OF COURSE CREATE SOME FURTHER FRICTIONS BETWEEN THE FAO AND UNCTAD AS THEY STAKE OUT THEIR TERRITORIAL CLAIMS, IT SHOULD PROVIDE PRODUCERS AND CONSUMERS WITH THE BACKGROUND NEEDED TO HELP THEM IN THEIR DECISION REGARDING AN INTERNATIONAL ARRANGEMENT. IT IS CLEAR THAT THE SECRETARIATS ARE TO DO THIS WORK IN CONSULTATION WITH GOVERNMENT AND US, EC AND JAPANESE REPS INDICATED THEY INTEND TO MAINTAIN CLOSE CONTACT WITH THE SECRETARIATS TO INSURE REALISM IN THE DOCUMENT. CLEARLY THE ISSUE OF STABILIZATION WILL BE THE THORNIEST ONE TO DEAL WITH. PRODUCERS CONTINUE TO INDICATE THAT, AS IN THE CASE OF JUTE, UNCLASSIFIED

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THEY WILL SETTLE ONLY FOR AN OVERALL ARRANGEMENT INCLUDING VARIOUS STABILIZATION MEASURES. DESPITE THE AURA OF OPTIMISM IT IS THEREFORE DIFFICULT TO PRE-JUDGE AT THIS TIME WHETHER THEY WILL ACCEPT AN ARRANGEMENT LIMITED TO OTHER MEASURES AND IMPROVED MARKET INFORMATION. CONSUMERS WILL ALSO HAVE TO WATCH THAT UNCTAD SECRETARIAT IN PREPARING THE PROPOSED SCHEME DOES NOT CAST THE STABILIZATION ISSUE IN THE

SAME MOLD AS IT WAS FOR COPPER, I.E., KEEPING DISCUSSION OF
STABILIZATION ISSUE OPEN AS A MAIN TASK THEREBY BUILDING IN
A COMPELLING ARGUMENT THAT ANY TIMBER BODY MUST BE PART OF
UNCTAD AS LONG AS THE IPC EXISTS AND BEFORE A FORMAL STABI-
LIZATION AGREEMENT IS REACHED. SORENSON

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